

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Bertrand Township</u>	County Berrien
Audit Date March 31, 2006	Opinion Date June 25, 2006	Date Accountant Report Submitted To State: August 11, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature 			

**Bertrand Township
Berrien County, Michigan**

**Financial Report
with Supplemental Information
March 31, 2006**

Bertrand Township

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Independent Auditor's Report

To the Board of Trustees
Bertrand Township

We have audited the accompanying financial statements of the governmental activities and each major fund of Bertrand Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bertrand Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bertrand Township as of March 31, 2006 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

June 25, 2006



A worldwide association of independent accounting firms

Bertrand Township

Management's Discussion and Analysis

Our discussion and analysis of Bertrand Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- During fiscal 2006, the Township completed the construction of a new water tower and mains within the Township. The City of Niles will own these assets as part of its water distribution system. Total project expenditures were approximately \$967,000, of which approximately \$170,000 was incurred during fiscal 2006. The Community Development Block Grant paid for approximately \$870,000 of these expenditures. Additional funds were received from the City of Niles and a local economic development corporation to provide for the Township's required match. The Township anticipates that this facility will support additional industrial development within the Township.
- The Township completed construction on a new fire station. The Township's loan on the fire station was approximately \$418,000 at March 31, 2006. This debt service will be offset by an additional tax millage that was approved in 2005.
- State-shared revenue, the Township's second largest revenue source, remained relatively stable in fiscal 2006 as compared to 2005.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Bertrand Township

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed, comparative format, the net assets as of March 31, 2006 and 2005:

	Governmental Activities	
	2006	2005
Assets		
Current assets	\$ 1,234,519	\$ 1,291,379
Noncurrent assets	<u>1,141,272</u>	<u>1,003,072</u>
Total assets	2,375,791	2,294,451
Liabilities		
Current liabilities	211,672	344,635
Long-term liabilities	<u>371,234</u>	<u>331,056</u>
Total liabilities	<u>582,906</u>	<u>675,691</u>
Net Assets		
Invested in capital assets - Net of related debt	723,634	625,612
Restricted for fire expenditures	267,665	149,189
Unrestricted	<u>801,586</u>	<u>843,959</u>
Total net assets	<u>\$ 1,792,885</u>	<u>\$ 1,618,760</u>

The Township's combined net assets increased approximately 12 percent from a year ago - increasing from \$1.6 million to slightly less than \$1.8 million.

Bertrand Township

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the years ended March 31, 2006 and 2005:

	Governmental Activities	
	2006	2005
Revenue		
Program revenue:		
Charges for services	\$ 80,597	\$ 93,495
Capital grants and contributions	175,727	760,585
General revenue:		
Property taxes	318,884	287,027
State-shared revenue	160,742	158,934
Unrestricted interest income	14,788	9,399
Landfill tipping fees	69,595	66,377
Miscellaneous	10,277	8,803
Total revenue	830,610	1,384,620
Program Expenses		
General government	230,590	215,070
Public safety	209,330	208,347
Public works	188,128	838,802
Cemetery	2,937	4,058
Total program expenses	630,985	1,266,277
Change in Net Assets	\$ 199,625	\$ 118,343

Governmental Activities

- The Township received additional federal funding in the amount of \$170,000 during the fiscal year to complete the construction a new water tower and mains. All work was finalized during the fiscal year.
- The Township expended over \$150,000 for improvements to Mayflower Road.

Bertrand Township

Management's Discussion and Analysis (Continued)

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, the Block Grant Fund, and the Capital Improvements Fund.

The General Fund pays for most of the Township's governmental services. The most significant are inspections and maintenance of highways, streets, and bridges, which incurred expenses of approximately \$231,000. These two services are partially supported by building license and permit fees, which amounted to approximately \$78,000. The remaining \$153,000 cost of the public works department is funded by state-shared revenue and other general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes were to increase the estimated highways, bridges, and roads expenditures and to increase the overall township board estimate for additional zoning board and audit fee expenditures. General fund expenditures by department were slightly over budget, despite the amendments, although expenditures in total were less than the amended budget. Revenue was higher than budgeted, although total expenditures were higher than revenues, causing the General Fund to reduce its fund balance by approximately \$18,000. The Fire Fund was under budget and revenues were higher than expenditures. This allowed the Fire Fund to add approximately \$32,000 to its fund balance.

Capital Asset and Debt Administration

As noted under the financial highlights section of this management's discussion and analysis, the Township completed construction on a new fire station during the course of the year, amounting to additional capital expenditures of approximately \$33,000. The loan obtained in fiscal 2005 year from Fifth Third Bank has an approximate outstanding balance of \$418,000 at March 31, 2006. The additional tax millage approved by the Township in 2005 will be used to pay off this debt.

Also noted under the financial highlights section, the Township completed construction on a new water tower and mains within the Township. The total additional expenditures for this project during the year were approximately \$170,000, which were funded by a federal grant. Now completed, the water tower and mains are owned by the City of Niles.

Bertrand Township

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's fiscal 2007 budget anticipates additional cuts in state-shared revenue. Current economic conditions in the state of Michigan have put statutory revenue sharing at risk of being reduced. The board has adopted a conservative budget that retains current fund balance, but also facilitates Township priorities and quality services.

The Township has no significant capital plans for fiscal 2007.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

Bertrand Township

Statement of Net Assets March 31, 2006

	Governmental Activities
Assets	
Cash and cash equivalents (Note 3)	\$ 970,058
Investments (Note 3)	150,547
Taxes receivable	23,829
Restricted assets (Notes 3 and 8)	90,085
Capital assets - Net (Note 4)	<u>1,141,272</u>
Total assets	2,375,791
Liabilities	
Accounts payable	23,731
Due to other governmental units	13,267
Liabilities to be paid from restricted assets (Note 8)	90,085
Other liabilities	38,185
Noncurrent liabilities (Note 6):	
Notes payable due within one year	46,404
Notes payable due in more than one year	<u>371,234</u>
Total liabilities	<u>582,906</u>
Net Assets	
Invested in capital assets - Net of related debt	723,634
Restricted for fire expenditures	267,665
Unrestricted	<u>801,586</u>
Total net assets	<u><u>\$ 1,792,885</u></u>

Bertrand Township

Statement of Activities Year Ended March 31, 2006

Functions/Programs	Program Revenues			Net (Expense)
				Revenue and
				Changes in Net
	Expenses	Charges for	Capital Grants and Contributions	Assets
		Services		Governmental Activities
Governmental activities:				
General government	\$ 230,590	\$ 2,849	\$ 4,800	\$ (222,941)
Public safety	209,330	77,748	-	(131,582)
Public works	188,128	-	170,927	(17,201)
Cemetery	2,937	-	-	(2,937)
Interest on long-term debt	25,500	-	-	(25,500)
Total governmental activities	<u>\$ 656,485</u>	<u>\$ 80,597</u>	<u>\$ 175,727</u>	(400,161)
General revenues:				
Property taxes				318,884
State-shared revenues				160,742
Unrestricted interest income				14,788
Landfill tipping fees				69,595
Miscellaneous				<u>10,277</u>
Total general revenues				<u>574,286</u>
Change in Net Assets				174,125
Net Assets - Beginning of year				<u>1,618,760</u>
Net Assets - End of year				<u>\$ 1,792,885</u>

Bertrand Township

Governmental Funds Balance Sheet March 31, 2006

	General	Fire	Block Grant	Capital Improvements	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 639,828	\$ 274,212	\$ 13,267	\$ 42,751	\$ 970,058
Investments	150,547	-	-	-	150,547
Receivables:					
Taxes	7,007	16,822	-	-	23,829
Due from other funds	12,422	-	-	-	12,422
Restricted assets	90,085	-	-	-	90,085
Total assets	\$ 899,889	\$ 291,034	\$ 13,267	\$ 42,751	\$ 1,246,941
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 19,305	\$ 4,426	\$ -	\$ -	\$ 23,731
Due to other governmental units	-	-	13,267	-	13,267
Due to other funds	-	12,422	-	-	12,422
Liabilities to be paid from restricted assets	90,085	-	-	-	90,085
Other liabilities	6,164	6,521	-	-	12,685
Total liabilities	115,554	23,369	13,267	-	152,190
Fund Balances - Unreserved, reported in					
General Fund	784,335	-	-	-	784,335
Special Revenue Funds	-	267,665	-	-	267,665
Capital Projects Funds	-	-	-	42,751	42,751
Total fund balances	784,335	267,665	-	42,751	1,094,751
Total liabilities and fund balances	\$ 899,889	\$ 291,034	\$ 13,267	\$ 42,751	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	1,141,272
Accrued interest is not recorded in the fund-based statements	(25,500)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(417,638)
Net assets of governmental activities	\$ 1,792,885

Bertrand Township

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	General	Fire	Block Grant	Capital Improvements	Total Governmental Funds
Revenue					
Property taxes	\$ 99,202	\$ 219,682	\$ -	\$ -	\$ 318,884
State sources	160,742	-	-	-	160,742
Federal sources	-	-	145,699	-	145,699
Licenses and permits	77,748	-	-	-	77,748
Landfill tipping fees	69,595	-	-	-	69,595
Interest and rentals	13,909	2,541	-	1,187	17,637
Other	9,617	621	25,228	-	35,466
Total revenue	430,813	222,844	170,927	1,187	825,771
Expenditures					
General government	231,354	-	-	-	231,354
Public safety	62,964	190,950	-	-	253,914
Public works	170,018	-	170,927	-	340,945
Cemetery	2,937	-	-	-	2,937
Total expenditures	467,273	190,950	170,927	-	829,150
Excess (Deficiency) of Revenue Over Expenditures	(36,460)	31,894	-	1,187	(3,379)
Other Financing Sources					
Debt issuance	-	86,582	-	-	86,582
Proceeds from sale of capital asset	18,400	-	-	-	18,400
Total other financing sources	18,400	86,582	-	-	104,982
Net Change in Fund Balances	(18,060)	118,476	-	1,187	101,603
Fund Balances - Beginning of year	802,395	149,189	-	41,564	993,148
Fund Balances - End of year	<u>\$ 784,335</u>	<u>\$ 267,665</u>	<u>\$ -</u>	<u>\$ 42,751</u>	<u>\$ 1,094,751</u>

Bertrand Township

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 101,603
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Amounts reported for governmental activities in the statement of activities are different because:

Contributions of equipment not recorded on governmental funds	4,800
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Proceeds from sale of capital asset are recorded as revenue on the fund based statements but not recorded on governmental activities	(18,400)
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Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	210,247
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Depreciation expense	(58,490)
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Gain on disposal of fixed assets	43
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Debt proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets	(86,582)
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Interest expense is accrued in the statement of activities but not in the governmental funds	(25,500)
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Repayment of debt principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>46,404</u>
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Change in Net Assets of Governmental Activities	<u>\$ 174,125</u>
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Bertrand Township

Fiduciary Funds Statement of Net Assets March 31, 2006

	Agency Funds		Total
	Tax Fund	West River Terrace Fund	Fiduciary Funds
Assets - Cash and cash equivalents	<u>\$ 119,876</u>	<u>\$ 4,442</u>	<u>\$ 124,318</u>
Liabilities			
Due to other governmental units	\$ 119,876	\$ -	\$ 119,876
Other liabilities	<u>-</u>	<u>4,442</u>	<u>4,442</u>
Total liabilities	<u>\$ 119,876</u>	<u>\$ 4,442</u>	<u>\$ 124,318</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of Bertrand Township (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

Bertrand Township is governed by an elected five-member board of trustees. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, if applicable, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Fund - The Fire Fund accounts for the activities of the fire protection department.

Block Grant Fund - The Block Grant Fund accounts for the activities related to the receipts and disbursements of Block Grant funds.

Capital Projects Fund - The Capital Projects Fund is used to account for the development of capital equipment and facilities.

Note 1 - Summary of Significant Accounting Policies (Continued)

Additionally, the Township reports the following fiduciary activities:

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on February 28, at which time penalties and interest are assessed.

The 2005 taxable valuation of the Township totaled \$114 million, on which taxes levied consisted of 0.9126 mills for operating purposes, which resulted in approximately \$99,000 of tax revenue in the General Fund. Additionally, the Township levied a special assessment of 1.5260 mills for fire services and 0.7200 mills for fire station debt service on all real property (taxable valuation of approximately \$94 million). This resulted in approximately \$218,000 of tax revenue in the Fire Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, buildings, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Streets and highways	15 years
Buildings and building improvements	20 to 50 years
Office equipment	5 to 20 years
Fire station	50 years
Fire equipment	5 to 25 years

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Bertrand Township

Notes to Financial Statements March 31, 2006

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at April 1, 2005		\$	(6,169)
Current year building permit revenue			51,176
Related expenses:			
Direct costs	\$	40,210	
Estimated indirect costs		<u>6,391</u>	
Total construction code expenses			<u>46,601</u>
Cumulative shortfall at March 31, 2006		\$	<u>(1,594)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits policies are in accordance with statutory authority.

Bertrand Township

Notes to Financial Statements March 31, 2006

Note 3 - Deposits and Investments (Continued)

The Township's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,155,617 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Transfers and Other	Balance March 31, 2006
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 65,865	\$ -	\$ -	\$ -	\$ 65,865
Construction in progress	496,380	-	-	(496,380)	-
Subtotal	562,245	-	-	(496,380)	65,865
Capital assets being depreciated:					
Streets and highways	-	159,000	-	-	159,000
Buildings and improvements	44,483	1,093	(4,590)	-	40,986
Office equipment	22,519	9,515	(3,347)	-	28,687
Fire station	201,931	32,945	(29,000)	496,380	702,256
Fire equipment	527,944	12,494	-	-	540,438
Subtotal	796,877	215,047	(36,937)	496,380	1,471,367
Accumulated depreciation:					
Streets and highways	-	6,183	-	-	6,183
Buildings and improvements	21,948	1,533	(4,590)	-	18,891
Office equipment	6,748	3,515	(2,583)	-	7,680
Fire station	80,522	14,212	(11,407)	-	83,327
Fire equipment	246,832	33,047	-	-	279,879
Subtotal	356,050	58,490	(18,580)	-	395,960
Net capital assets being depreciated	440,827	156,557	(18,357)	496,380	1,075,407
Net capital assets	\$ 1,003,072	\$ 156,557	\$ (18,357)	\$ -	\$ 1,141,272

Bertrand Township

Notes to Financial Statements March 31, 2006

Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 5,048
Public safety	47,259
Public works	<u>6,183</u>
Total governmental activities	<u>\$ 58,490</u>

Note 5 - Interfund Receivables and Payables

Interfund receivables and payables reported in the fund financial statements are comprised of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Fire Fund	<u>\$ 12,422</u>

This balance results from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 6 - Long-term Debt

The Township borrows funds to provide for the acquisition of major capital assets. Installment purchase agreements are general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
New fire station note payable	6.5%	<u>\$ 377,460</u>	<u>\$ 86,582</u>	<u>\$ 46,404</u>	<u>\$ 417,638</u>	<u>\$ 46,404</u>

Bertrand Township

Notes to Financial Statements March 31, 2006

Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above debt obligation are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 46,404	\$ 26,702	\$ 73,106
2007	46,404	24,130	70,534
2008	46,404	21,114	67,518
2009	46,404	18,098	64,502
2010	46,404	15,081	61,485
2011-2014	<u>185,618</u>	<u>30,163</u>	<u>215,781</u>
Total	<u>\$ 417,638</u>	<u>\$ 135,288</u>	<u>\$ 552,926</u>

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township participates in the Michigan Municipal League risk pool for claims relating to all risks.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 8 - Restricted Assets

Restricted assets at March 31, 2006 consist of the following:

Cash and cash equivalents	\$ 90,085
Less liabilities payable from restricted assets	<u>(90,085)</u>
Net fund balance restricted	<u>\$ -</u>

Bertrand Township

Notes to Financial Statements March 31, 2006

Note 8 - Restricted Assets (Continued)

Bertrand Township entered into four agreements to allow Michiana Aggregate, Inc. (the "Company") to use land within the Township as gravel pits. Under the agreements, the Company is paying the Township five cents for every ton of aggregate removed. At such time that the land use is terminated and the land is restored in accordance with these agreements, all money held by the Township will be returned to the Company for each site. Funds collected from the Company have been restricted for future payment related to these agreements.

Note 9 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its salaried employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the plan agreement, the Township contributes based on a formula related to the employees' gross earnings and employees may contribute a portion of their after-tax earnings. In accordance with these requirements, the Township contributed \$5,600 during the current year. The employees made no contributions in the current year.

Note 10 - Joint Venture

The Township is a member of the Southwestern Michigan Community Ambulance Service, which provides ambulance services to the residents of Buchanan, Niles, Niles Township, Bertrand Township, Buchanan Township, and Howard Township. These residents provide annual funding for its operations through special assessments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the ambulance service can be obtained from the administrative offices at 2100 Chicago Road, Niles, Michigan.

The Township is a member of the Southeast Berrien County Landfill Authority, Inc., which collects and disposes of garbage and rubbish for the residents of Buchanan, Niles, Bertrand Township, Buchanan Township, and Niles Township. The participating communities initially provided annual funding for its operations. The Township has entered into a contract with the Landfill Authority for the collection of the Township's solid waste and recycling. The Township is no longer required to make operating contributions to the Authority. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Landfill Authority can be obtained from the administrative offices at 3200 Chamberlain Road, Buchanan, Michigan.

Required Supplemental Information

Bertrand Township

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 95,704	\$ 95,704	\$ 99,202	\$ 3,498
State sources	157,000	157,000	160,742	3,742
Licenses and permits	81,000	81,000	77,748	(3,252)
Landfill tipping fees	50,000	50,000	69,595	19,595
Interest and rentals	8,940	8,940	13,909	4,969
Other	9,850	28,250	28,017	(233)
Total revenue	402,494	420,894	449,213	28,319
Expenditures				
General government:				
Township board	131,261	157,011	143,737	13,274
Supervisor	15,152	15,152	14,807	345
Clerk	14,679	14,679	12,878	1,801
Treasurer	16,239	16,239	16,766	(527)
Township hall and grounds	13,080	13,080	17,474	(4,394)
Community hall and grounds	4,975	5,475	7,052	(1,577)
Elections	1,700	1,700	-	1,700
Assessor	19,100	19,100	18,640	460
Total general government	216,186	242,436	231,354	11,082
Public safety - Inspector fees	74,100	62,000	62,964	(964)
Public works - Highways, bridges, and roads	105,508	170,500	167,716	2,784
Cemetery	5,700	5,700	2,937	2,763
Other expenditures	1,000	1,000	2,302	(1,302)
Total expenditures	402,494	481,636	467,273	14,363
Net Change in Fund Balance	-	(60,742)	(18,060)	42,682
Fund Balance - Beginning of year	802,395	802,395	802,395	-
Fund Balance - End of year	<u>\$ 802,395</u>	<u>\$ 741,653</u>	<u>\$ 784,335</u>	<u>\$ 42,682</u>

Bertrand Township

Required Supplemental Information Budgetary Comparison Schedule - Fire Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 225,915	\$ 225,915	\$ 219,682	\$ (6,233)
Interest income	1,500	1,500	2,541	1,041
Other	-	-	621	621
Total revenue	227,415	227,415	222,844	(4,571)
Expenditures - Public safety	<u>220,588</u>	<u>222,588</u>	<u>190,950</u>	<u>31,638</u>
Excess of Revenue Over Expenditures	6,827	4,827	31,894	27,067
Other Financing Sources - Debt issuance	<u>-</u>	<u>-</u>	<u>86,582</u>	<u>86,582</u>
Net Change in Fund Balance	6,827	4,827	118,476	113,649
Fund Balance - Beginning of year	<u>149,189</u>	<u>149,189</u>	<u>149,189</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 156,016</u></u>	<u><u>\$ 154,016</u></u>	<u><u>\$ 267,665</u></u>	<u><u>\$ 113,649</u></u>

Bertrand Township

Note to Required Supplemental Information March 31, 2006

Note - Budgetary Information

Budgetary Information - Annual budgets are prepared by the supervisor on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and the Fire Fund and adopted by the Township board. Subsequent amendments are approved by the Township board. All annual appropriations lapse at fiscal year end. The Block Grant Fund does not budget annually. Instead, the budget is adopted on a program basis and covers a period of more than 12 months.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Township had no significant expenditure budget variances.



To the Township Board
Bertrand Township
Buchanan, Michigan 49107

In planning and performing our audit of the financial statements of Bertrand Township for the year ended March 31, 2006, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

Financial Overview

During the fiscal year ended March 31, 2006, the Township experienced fund balance decline in the General Fund and fund balance growth in the Fire Fund. Expenditures exceeded revenues by approximately \$18,000 in the General Fund and revenues exceeded expenditures by nearly \$120,000 in the Fire Fund. Despite the General Fund decrease, both funds remain healthy. We commend the board for their planning and budgeting. While several municipalities are experiencing difficulties during the recent uncertain times, the Township has positioned itself well for handling potential adverse circumstances with fund balances of approximately \$784,000 and \$268,000 in the General Fund and Fire Fund, respectively.

Segregation of Duties

We noted that there is still no independent review of bank reconciliations. We have been made aware that a separate person is receiving and posting cash receipts to the general ledger. We have also been made aware that the deputy clerk will be preparing bank reconciliations with the treasurer reviewing all reconciliations in the future. We commend the board on this decision, which should further strengthen the Township's internal controls.

To the Township Board
Bertrand Township

Old Outstanding Checks

During our audit testing, we noted several outstanding checks on the general checking bank reconciliation from the years 2003 through 2005. We recommend that the Township consider following up on these checks, making appropriate adjustments, or escheating these checks to the State in accordance with the State's escheat laws.

Accounting Transactions

During our audit, we noted several accounting transactions which did not follow the actual cash flow. For example, the checks were written out of one fund but the expense charged to a different fund or department in the general ledger. In some instances, these items were discovered and corrected. However, this was not the case each time. We encourage the Township to pay close attention to the payment of expenses to ensure that the proper department is recording the expense. While the errors we discovered were not material and easily corrected, we encourage a closer review of the transactions.

Grant Funds

Within the Township's grant fund, there is a residual cash balance of approximately \$13,000 dating back several years. It appears that this money might be unspent grant funds dating back to 2000 or earlier. We encourage the Township to look into this balance to determine if the money might be reallocated to other projects, qualify for a local match on current projects, or need to be returned to the granting agency.

State-shared Revenue and Budgeting

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue-sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue-sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2005/2006 level.

Even though there is the expectation that revenue-sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue-sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

To the Township Board
Bertrand Township

State-shared revenue accounts for approximately 36 percent of the Township's total General Fund revenue. The table below details state-shared revenue for the Township over the past six years broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2001.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	\$29,606	\$154,442	\$184,048	\$ 0
2002	\$27,757	\$156,017	\$183,774	\$ 274
2003	\$20,663	\$158,658	\$179,321	\$ 4,727
2004	\$ 4,232	\$156,933	\$161,165	\$22,883
2005	\$ 0	\$160,679	\$160,679	\$23,369
2006	\$ 0	\$163,354	\$163,354	\$20,694

We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

We appreciate the courtesy and cooperation extended to us by you and members of your organization during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

Plante & Moran, PLLC

June 23, 2006